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SUBJECT: TURKMENISTAN'S PRESIDENT BERDIMUHAMEDOV AND SCA
PDAS MANN: ENERGY ISSUES (11/16/07)

Classified By: CHARGE RICHARD E. HOAGLAND FOR REASONS 1/4 (B), (D)

11. (U) U.S. PARTICIPANTS:

SCA PDAS Steven Mann
Charge d'affaires Richard Hoagland

TURKMENISTAN PARTICIPANTS:

President Gurbanguly Berdimuhamedov
Deputy Prime Minister/Foreign Minister Rashit Meredov

12. (C) SUMMARY: During a nearly 90-minute meeting on
November 16 with SCA PDAS Steven Mann, President
Berdimuhamedov

-- suggested Turkmenistan can go it alone with Azerbaijan on
the question of Caspian Sea delimitation;

-- claimed he, in contrast to Azerbaijan President Aliyev,
had stood up to Russian President Putin at the recent Caspian
Sea Summit in Tehran;

-- affirmed his support for a Trans-Caspian Pipeline and
agreed to consider sending "early gas" westwards;

-- said previously proposed U.S. energy consultations should
take place in Turkmenistan;

-- agreed that Turkmenistan Ambassador to the U.S. Orazov
should take the lead to organize an investment delegation;

-- reiterated his desire to develop Turkmenistan's
petrochemical industry; and

-- agreed further work is needed to create comfortable

business conditions for international investors.

This meeting was important for advancing U.S. views directly and unfiltered with President Berdimuhamedov. Although he might not change policies overnight, we believe he takes U.S. views into consideration when they are delivered by a senior official from Washington. We were struck by Foreign Minister Meredov's assertion that Azerbaijan "does not want a Trans-Caspian Pipeline." We'd suggest this is all the more reason for Presidents Aliyev and Berdimuhamedov to communicate directly face to face. END SUMMARY.

13. (SBU) PDAS Mann congratulated President Berdimuhamedov on the success of the Turkmenistan International Oil and Gas Exhibition (TIOGE-2007), saying it was the best TIOGE in memory, a potential turning point for Turkmenistan, and "a world-class event."

14. (C) In turn, Berdimuhamedov thanked Mann for the careful U.S. preparation and organization for his September trip to New York in conjunction with the UN General Assembly. He said he had had an excellent impression of America -- "quite frankly, a much better impression" than he gained from his November 5-7 visit to Brussels -- "the difference between heaven and earth. Europe doesn't understand us as well as you do." The President laughed, "One official in Brussels even asked me, So, how's Tajikistan?, He recovered, but by then the train had left the station."

15. (SBU) Berdimuhamedov flagged his intent to take on internal reform, and pointed to eliminating the dual exchange rate. Agricultural reform is next on his list but this is

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the most complicated. But in any case, reform in general is "trickling" forward. "Your interest and support pleases me."

ENERGY CONSULTATIONS

16. (C) Mann noted that Berdimuhamedov in New York had proposed U.S.-Turkmenistan experts, meetings on legal and financial aspects of hydrocarbon development. Mann said Washington is ready to move forward and would appreciate the President's view when and where this should occur. Berdimuhamedov responded it would be best in Turkmenistan -- either in Ashgabat or Turkmenbashi. He suggested Mann follow up details with Deputy Prime Minister for Gas and Oil Tachberdy Tagiyev.

INVESTMENT DELEGATION

17. (C) Mann noted Berdimuhamedov while in New York had proposed a U.S.-Turkmenistan business council and a U.S. investment delegation to Turkmenistan for various sectors. Mann said the U.S. side is ready to follow up and would like to work on this with Turkmenistan Ambassador to the U.S. Orazov. Berdimuhamedov concurred, noting that Turkmenistan is creating a new agency to support such efforts.

PETROCHEMICAL AND AGRICULTURAL INDUSTRIES

18. (C) Mann said the United States is aware of Berdimuhamedov's desire to develop Turkmenistan's petrochemical industry. He said the U.S. Trade and Development Agency could look at the possibility of a study. Berdimuhamedov responded he really wants more refined products for Turkmenistan to sell on the world market from its hydrocarbon resources. He said he is concerned Turkmenistan is wasting much too much natural gas through flare-offs, and added Turkmenistan's recent interest in acquiring solar energy technology. Mann also referred to earlier international studies for value-added production in the agricultural sector. Berdimuhamedov was receptive to new ideas, commenting, "But I want to make sure we are dealing with quality companies."

TURKMENISTAN-AZERBAIJAN RELATIONS

¶9. (C) Mann told the President he wished to brief him on his recent meeting with Azerbaijan Foreign Minister Elmar Mammadyarov. Mann reported Mammadyarov had noted Azerbaijan had good contacts and a decent atmosphere with Turkmenistan on the question of bilateral Caspian Sea delimitation. Mann said Mammadyarov had proposed a short declaration between the two nations, centered on two points: support for the median-line concept of delimitation and agreement to have a group of experts clarify the median line. Mann added Mammadyarov had also proposed a summit in the nearest future of Presidents Aliyev (Azerbaijan), Nazarbayev (Kazakhstan), and Berdimuhamedov to bless the median-line principle, with expert-level follow up. Mann noted the United States would be willing to support this and agreed with Mammadyarov that the United States could help but should keep a low profile. Mann added Mammadyarov also noted the need for Turkmenistan to send an ambassador to Baku to facilitate bilateral work.

¶10. (C) President Berdimuhamedov thanked PDAS Mann for his briefing and added that he very much values the U.S. view. "The Azeris are good people, and we want to be real friends." However, he said, Ashgabat-Baku work is continuing on its own. He said Ashgabat would send "an experienced ambassador"

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to Baku, but he didn,t say when.

TEHRAN CASPIAN SEA SUMMIT

¶11. (C) Berdimuhamedov then segued into briefing on the recent Caspian Sea Summit in Tehran. He said he had told President Aliyev they could decide resource issues bilaterally. "Who could be against that? Russia! Moscow raises ecological concerns, about the Caspian, but I don,t really think that,s their main concern, is it?" Berdimuhamedov asked ironically. According to his account, at the leader-plus-one session in Tehran, Putin had proposed requiring full consensus of the five littoral states for development of Caspian Sea projects, but Berdimuhamedov said he told Putin at the table he did would not agree to that. Berdimuhamedov added that he then looked across to Aliyev for support, "but Aliyev didn,t say a word. At the end, Putin raced out to be the first with the journalists -- not very nice."

¶12. (C) Intense at this point, Berdimuhamedov added as an aside, "Turkey,s President Gul was just in Baku and recommended we sell our gas West. What right does he have to give us advice from Baku?" (NOTE: President Gul will visit Ashgabat the first week of December. END NOTE.)

¶13. (C) Berdimuhamedov concluded, "I,m not at all against selling our gas West. I strongly support that. But we ourselves have to work out the details with Azerbaijan. We have a bilateral commission to do just that. It,s an issue of practical questions. And it,s not a very nice thing (ne ochen priyatno) when others tell us what to do. We have our own firm positions." The President said that there was no need to involve Kazakhstan; the issue is with Azerbaijan, and the issue can be settled if Azerbaijan pays the debts it owes for the Osman/Chirag field. PDAS Mann suggested positions can evolve over time and reiterated U.S. willingness to support negotiations if that would be helpful or, alternatively, to remain aloof if the parties desire that.

¶14. (C) Foreign Minister Meredov joined the conversation for the first time: "In Tehran, the President said clearly pipelines can be bilateral, and Kazakhstan supports that position. But Azerbaijan didn,t respond. Azerbaijan doesn,t want a Trans-Caspian Pipeline." PDAS Mann passed to President Berdimuhamedov the Russian-language U.S.-prepared 1999 study on Caspian delimitation. Berdimuhamedov said, "Azerbaijan is simply making excuses. We need a strong Azeri

ambassador here." Mann agreed it,s important to strengthen Turkmenistan-Azerbaijan relations. He assured Berdimuhamedov the United States would carefully study his views. The President commented, "Better to measure seven times and cut only once."

TRANS-CASPIAN PIPELINE AND OTHER OPTIONS

¶15. (C) Mann noted that a Trans-Caspian Pipeline, which President Berdimuhamedov supports, would be a "grandiose project" but cannot proceed without reliable, long-term commitments of gas volumes. That said, Petronas, Burren, and Dragon Oil are already producing relatively modest amounts of gas from the Caspian that would be sent West through a smaller pipeline that would be a step toward the larger goal.

¶16. (C) Berdimuhamedov asked, "Why not start with the entire TCP project?" Mann reaffirmed U.S. support for a large-scale TCP but advised that the existing offshore volumes offer an

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immediate opportunity. He proposed that the U.S. and Turkmenistan work together on a business study for these "early gas" volumes while continuing to look toward a large-scale TCP. Berdimuhamedov gave his assent: "All right.

Discuss this further with (Deputy Prime Minister for Oil and Gas) Tagiyev and (Director of the State Agency for Hydrocarbon Use) Muradov.

¶17. (C) Mann stressed the importance of bringing in top-tier firms for development of the Turkmen energy sector. He made a pitch for the quality and profitability of American firms and conveyed to the President a sheet of paper listing, in summary form, eight criteria for evaluating investment proposals.

FIRST THINGS INVESTORS NEED

¶18. (C) PDAS Mann passed to Berdimuhamedov a selection of comments businessmen had made during TIOGE-2007. The President took time to read the document and commented, "This is reality." Mann said two issues are at the top of the list: difficulty getting visas, and lack of adequate information flow, especially Internet access. On visas, he added that the Foreign Ministry is not the problem -- the problem is the system. Berdimuhamedov said, "All right. We will look at this."

¶19. (C) Mann turned to the wider issue of intelligence bodies, persistent interference in business and surveillance of business people. The Soviet-style security controls are incompatible with a modern economy. "This is holding back growth." He urged Berdimuhamedov to draw the distinction between bona fide security threats -- terrorists, the Taliban, narcotraffickers -- and imaginary ones.

¶20. (C) Berdimuhamedov commented, "We can solve the visas and Internet issues, but security is a difficult question." Mann persisted, "We understand you have legitimate security concerns, but foreign business people here feel Stalinist control.," Berdimuhamedov replied, "We will look at this."

¶21. (C) COMMENT: This meeting was important for advancing U.S. views directly and unfiltered with President Berdimuhamedov. It was notable that the sometimes-prickly President accepted calmly both the discussion of investment criteria and businesspersons, reactions and the papers summarizing them. Although he might not change policies overnight, we believe he takes U.S. views into consideration when they are delivered by a senior official from Washington. We were struck by Berdimuhamedov,s readout of the Teheran Summit, both by his assertion that he had taken a firm (and USG-friendly) line with Putin, as with his sense of letdown from Aliyev. If fully true, that,s a welcome stance on a key issue, though we understand that cross-Caspian pipelines

and delimitation accords will not be simply achieved. It argues as well that there is all the more reason for Presidents Aliyev and Berdimuhamedov to communicate directly and more frequently. The overall impression was one of a leader intent on bringing wider and better energy development to Turkmenistan but still unsure of the ways in which the global private sector works to do this. END COMMENT.
HOAGLAND